

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7842**

**BILL NUMBER:** SB 478

**NOTE PREPARED:** Jan 15, 2003

**BILL AMENDED:**

**SUBJECT:** Predatory lending.

**FIRST AUTHOR:** Sen. Clark

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill restricts certain lending acts and practices. The bill establishes the Mortgage Fraud Unit under the Attorney General to enforce this act and investigate violations. The bill preempts regulation of covered acts and practices by political subdivisions. The bill increases mortgage recording fees and loan broker registration and renewal fees. The bill allocates increased revenue to the Department of Education, Secretary of State, Attorney General, and County Recorders.

**Effective Date:** January 1, 2004.

**Explanation of State Expenditures:** *Mortgage Fraud Unit* - This bill establishes the Mortgage Fraud Unit (the Unit), which is to be administered by the Attorney General (AG). The Unit would be required to cooperate and the AG would be allowed to file complaints with, the Professional Licensing Agency, Department of Financial Institutions, Department of Insurance, Securities Division of the Secretary of State, and the Supreme Court Disciplinary Commission in order to implement the Unit's responsibilities. The Unit would also be required to cooperate with these agencies in order to implement and maintain an education program which, is intended to inform mortgage loan consumers of lending fraud.

The Unit may require two additional Deputy Counsels (PAT 1) and one additional law clerk (PAT VI). The estimated direct and indirect cost of these three positions is \$68,155 in FY 2004 (under effective date, one-half fiscal year) and \$136,150 in FY 2005. The bill provides for the Unit to be funded with various fee revenues (see Explanation of State Revenues). The funds and resources required could also be supplied through a variety of other sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds

that, otherwise, would be reverted; or (5) New appropriations. The Office of the Attorney General has 278 authorized full-time positions. As of January 6, 2003, there were 58 full-time positions vacant. The Office of the Attorney General reverted just under \$4,000 from its operating account at the end of FY 2002. Ultimately, the source of funds and resources required to satisfy the requirements of this bill would depend upon legislative and administrative actions.

**Explanation of State Revenues:** *Mortgage Fraud Unit* - The bill raises a county recorder's fee for recording a mortgage by \$3, of which the recorder would retain \$0.50.

According to the Department of Local Government Finance, approximately 200,000 parcels of land are sold or conveyed each year. Assuming that a majority of these filings, or 90%, have a mortgage associated with the parcels, the county recorder fee increase would generate approximately \$90,000 for the recorder. The remaining \$450,000 (180,000 assumed mortgages \* \$2.50) would be placed in the Security Divisions Enforcement Account (SDEA). If only half of the filings, or 100,000, have a mortgage associated with the parcels, the fee increase would generate \$50,000 for the recorder and **\$250,000 for the SDEA.**

The bill also increases the fee for both initial and renewal license for loan brokers by \$50 to \$250. Loan broker licenses are valid for two years. Revenue from loan broker regulation is currently deposited into the Loan Broker Regulation Account (LBRA). In FY 2002, the LBRA received \$55,000 in revenue from loan broker licensing fees. Based on this amount, 275 loan brokers either applied for a license or renewed a license during FY 2002. If 275 loan brokers continue to pay renewal fees, The account would see an increase in revenue of \$13,750 per year.

Under the bill, fifty percent of revenue generated by the above fee increases would be appropriated to the Department of Education for the purpose of identifying, promoting, and funding financial literacy training and programs. The remaining fifty percent would appropriated to the Unit to carry out the responsibilities under the bill.

Using the estimate of \$250,000 in additional revenue to the SDEA, the total amount of revenue generated by this proposal is estimated at \$263,750 [\$250,000 +\$13,750] per fiscal year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary: Mortgage Fraud Unit* - County recorders' revenues will increase by \$0.50 per mortgage filing (see Explanation of State Revenues).

**State Agencies Affected:** Office of the Attorney General; Professional Licensing Agency and appropriate licensing boards; Department of Financial Institutions; Department of Insurance; Office of the Secretary of State, Securities Division; Indiana Supreme Court; Department of Education.

**Local Agencies Affected:** County recorders.

**Information Sources:** State Budget Agency; Department of Local Government Finance; *HRM Detail Staffing Report Position and Employee Totals 01/06/2003*;

**Fiscal Analyst:** Chris Baker, 317-232-9851